# India Union Budget 2019-20

## Gearing up for a brighter future

July 2019

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# Foreword

With the Modi 2.0 government coming into power with an overwhelming majority, the nation expected a public-friendly and pro-growth Union Budget 2019. India's first full-time lady Finance Minister presented the second term full-fledged Union Budget 2019 and aimed to boost infrastructure and foreign investment against the backdrop of a slowing economy, weak consumption demand, rural distress, high unemployment, and lack of private investment. The Union Budget 2019 aims to change gears and put India on a fast forward mode to spur growth and development.

The world economy is slowing down with anti-globalisation sentiment, protectionism, nativism and trade wars pulling down growth everywhere. Even in this backdrop, India continues to take giant strides forward and has also managed to become the sixth largest economy by sustaining growth rates higher than China, and is also one of the fastest growing economy in the world.

The Economic Survey 2018-19, imbued with the 'blue sky thinking' approach, forecasts a positive GDP growth rate of 7 per cent for FY19-20 while expecting general fiscal deficit to be at 5.8 per cent. The Survey also opined that India should accelerate and sustain a real GDP growth rate of 8 per cent to become a USD5 trillion economy by 2025. Fruitful outcome of 'Swachh Bharat' Mission, reduction in NPAs, considerable decline in oil prices are some of the positive facets of the Survey. The Survey outlines challenges such as the slow growth in investments, delays in dispute resolution, complex labour laws and mounting NBFC stress. The survey elucidates the importance of prudent technology and innovation as a key driver of demand, jobs, exports and overall productivity. The Survey's nucleus comprises the principles of behavioural economics, recalibration of public data to revolutionise development in the country, importance of policy consistency, emphasis on legal reforms and support to MSMEs.

The public sector banks are now proposed to be provided INR70, 000 crore capital to boost credit and provide a strong impetus to the economy. In order to harness the prowess of India as a more attractive FDI destination, the government will invite suggestions for further opening up of FDI in aviation, media, animation and insurance sectors in consultation with all stakeholders. 100 per cent FDI will be permitted for insurance intermediaries. Local sourcing norms for FDI to be eased for single-brand retail trading sector. Further various measures have been proposed in the Budget to promote a coherent and hassle free investment experience for FPIs/NRIs. To further promote development, several tax incentives have been awarded to IFSC and similar benefits have also been rolled out to certain NBFCs in larger public interest.

Taking a pragmatic approach, the Budget has no changes in personal income tax rates but proposes to levy additional surcharges on the super rich. The Budget also sought to spur growth with various sops to housing sectors, start-ups and electric vehicles. The Budget proposed to bring under 25 per cent tax ambit companies with an annual turnover of upto INR400 crore, in place of the earlier criteria of INR250 crore. Further, with a keen focus on resolving the long drawn angel tax issue, the Budget provides relief to start-ups and its stakeholders by proposing to introduce a mechanism to steer clear of regular scrutiny assessments and also proposes to relax carry forward and set off of rules for business loss. Further the provisions of carry forward of set off of past losses are also proposed to be relaxed to safeguard losses of companies in case of change in shareholding and directorship pursuant to NCLT process. For convenience of taxpayers, PAN and Aadhaar can now be used interchangeably including for filing of income tax returns.

To improve governance, it is also proposed to introduce pre-filled tax returns which will make available information from salaries, bank interest, capital gain and dividend income. Further, with an intent to eliminate undesirable practices of tax officers, a centralised faceless electronic scrutiny assessment would be launched in a phased manner. To promote digital payments and discourage the practice of making business payments in cash, it is proposed to levy TDS of 2 per cent on cash withdrawal exceeding INR1 crore in a year from a bank account.

To reduce compliance burden under GST measures like single monthly return, fully automated refund for export of services, issuance of refund by single authority, implementation of e-invoicing from 01 January 2020, etc. were announced. The implementation of e-invoicing would result in pre-filled taxpayers' returns and would eliminate the need for generation of e-way bills, resulting in reduction in data collection points by the government.

For simplification of the new tax regime, relaxations such as facility to transfer an amount from one head to another head in the electronic cash ledgers, new composition scheme for supplier of services or mixed suppliers, charging of interest on net cash tax liability, higher threshold exemption limit, etc. have also been announced.

Further, in order to bring consistency in tax positions under GST, creation of National Appellate Authority for Advance Ruling for resolution of diverse views of state specific Advance Ruling Authorities, has been mooted.

Customs duty on various products has been increased in line with the 'Make in India' initiative. Furthermore, amendments are proposed in the Customs Act to incorporate stringent provisions for arrest, penalty and prosecution, etc. where unfair practices are followed to avail undue concessions and export incentives.

The Union Budget 2019 has also laid emphasis on closure of existing litigation. To liquidate past disputes under Central Excise, Service tax and Cesses 'Legacy Dispute Resolution Scheme' is proposed which grants waiver from 40 per cent to 70 per cent of the disputed tax amount. Further, this scheme provides relief from payment of interest, penalty and protection from prosecution.

To sum up, the Budget provisions aim to balance priority and give directions to the economy. However, the proof of the pudding would be in the action that the government actually takes to ensure implementation such that people's expectations and India's objective of more inclusive growth is met.

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# Economic indicators

## GDP growth

The Indian economy registered a growth rate of 6.8 per cent in FY19. The GDP growth fell to 5.8 per cent in the last quarter, a 17-quarter low.[1]

The economy is projected to grow at 7 per cent in FY 2020 on the back of political stability and removal of infrastructure bottlenecks and boost from public sector expenditure.[2]

Moody's Investors Service kept India's sovereign rating unchanged that was upgraded in 2017 from Baa3 to Baa2[3], thus endorsing the government's reform policy.

Food grain production in FY19 stood at 283.4 million tonnes.[4] The agricultural sector grew at a rate of 2.9 per cent in FY19 as against previous year's growth rate of 5 per cent.[5]

**GDP growth (2011-12 base) (YoY, %)**


**Source:** India's GDP Growth Slumps to 5.8% in Fourth Quarter, The Wire, 31 May 2019

The industrial sector grew at 6.9 per cent in FY19 from 5.9 per cent in FY18.[6] This was on account of a healthy growth of 8.7 per cent and 6.9 per cent in the construction and manufacturing sector respectively in FY19. The service sector grew at 7.5 per cent in FY19 compared to 8.1 per cent in FY18.[7]

1. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
2. India's GDP growth may accelerate to 7.2% in FY20: Goldman Sachs, Economic Times, 7 June 2019
3. Moody's upgrade Sovereign Credit Rating of India to Baa2 from Baa3, Press Information Bureau, 17 November 2017
4. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
5. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
6. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
7. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019

## Consumer Price Index (CPI) and Index of Industrial Production (IIP).

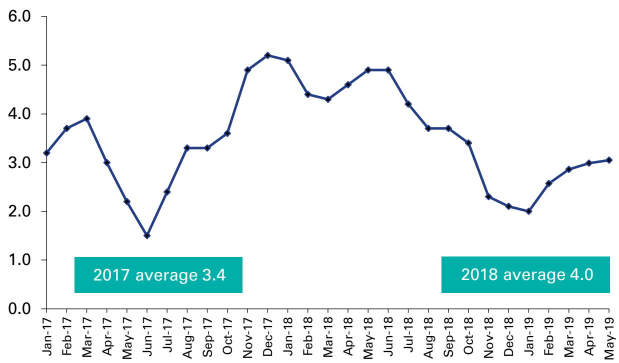
The CPI inflation has been volatile throughout FY19, with the average rate of approximately 3.4 per cent.[8]

The CPI-based inflation declined to 3.4 per cent in FY19 (April-February) from 3.6 per cent in FY18.[9]

Inflation declined to a low of 2 per cent during January 2019. Since then it has been on a consistent upward trajectory.

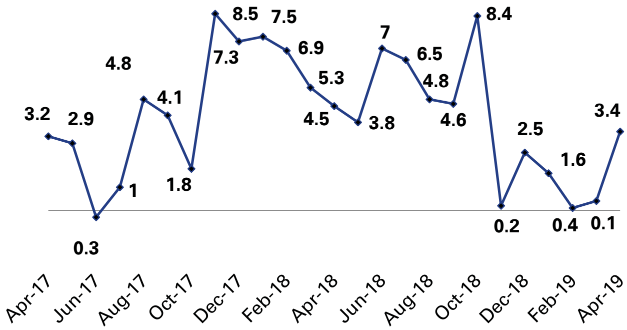
In FY19, IIP grew 3.5 per cent as against 4.6 per cent in FY18[10]. The moderation in IIP is mainly due to subdued manufacturing activities in Q3 and Q4 due to slower credit flow to medium and small industries. However, the index demonstrated strong performance during 3Q of FY19, registering a growth rate of 8.4 per cent in October 2018.[11]

### CPI growth (YoY, %)




**Source:** Monthly Economic Report-January 2019, DEA, accessed on 26 June 2019; Key Economic Indicators, MOSPI, Updated as on 14 June 2019

### IIP growth (2011-12 base) (YoY, %)




**Source:** Key Economic Indicators, MOSPI, Updated as on 14 June 2019

8. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
9. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
10. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019
11. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019

## Government expenditure

In FY19, Government Final Consumption Expenditure (GFCE) and Private Final Consumption Expenditure (PFCE) are likely to grow at a slower pace, reflecting a slowdown in both GVA and GDP growth figures.

In FY19, GFCE grew by 9.2 per cent as against 15 per cent in FY18 due to reduced spending by the government which was aimed at meeting its fiscal deficit target of 3.3 per cent in the current FY19[12].

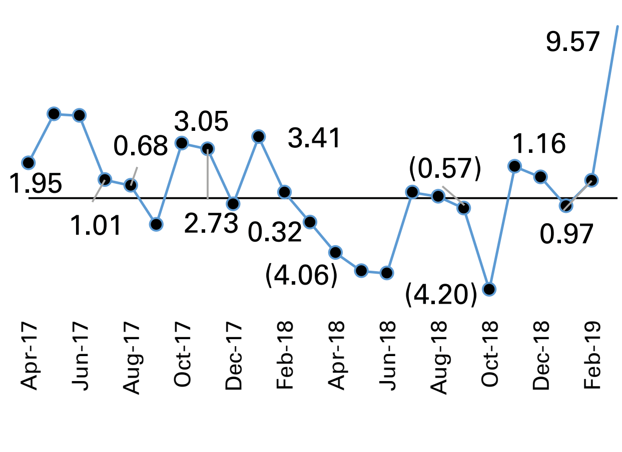
In FY19, the PFCE grew by 8.1 per cent as against 7.4 per cent in FY18. Private Final consumption has been affected on account of stress in the NBFC sector.[13]

## Foreign investments

In terms of ouflows from the Indian capital markets, 2018 is likely to be the worse year for FIIs owing to increased volatility in the Indian market.

In FY19 (April to December), India had overall net outflow of USD12 billion in FII flows. Rate hikes in the U.S. and the reshuffling of portfolio money globally, rupee depreciation and rise in crude oil prices contributed to higher FPI pullout. India also lost to emerging markets in terms of foreign money allocation due to lower valuations in other markets in early 2018.

**Net FII flow (USD billion)**



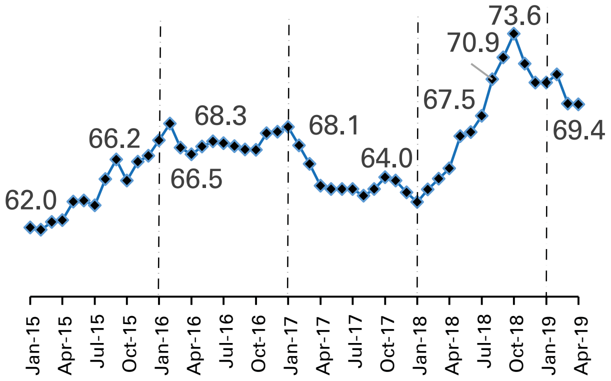

**Source:** Key Economic Indicators, MOSPI, Updated as on 14 June 2019

The net outflow by foreign portfolio investors (FPIs) in the debt market was more than USD 7.6 billion while equities saw a net outflow of USD4.6 billion in FY19 (April to December).[14,15]

On the back of high crude oil prices, foreign portfolio outflows and the U.S. dollar index in 2018, the Indian rupee witnessed depreciation. The Indian rupee tumbled to an all-time low of 74.48 in October 2018.[16]

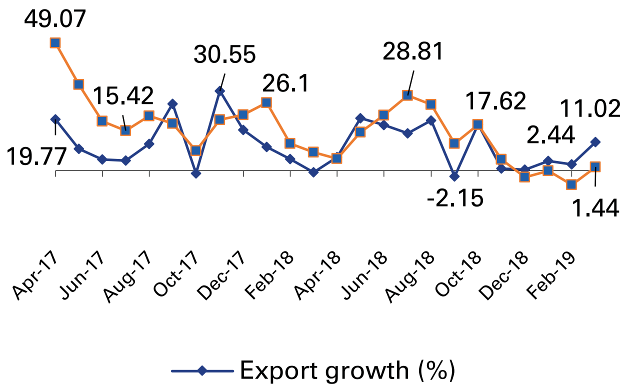
12. Government meets fiscal deficit target of 3.4% for FY19, Business Today, 9 April 2019
13. Growth slowdown worsens as January-March'19 GDP growth falls to a five year low, India Macro Advisors, 31 May 2019
14. 2018 in review: Why foreign investors gave India a miss this year, Business Today, 24 December 2018
15. FIIs outflows near ₹1 trillion so far in 2018, Live Mint, 17 December 2018
16. What will drive the rupee in 2019?, The Hindu Business Line, 31 December 2018

### Exchange rate (INR/USD)




**Source:** Key Economic Indicators, MOSPI, Updated as on 14 June 2019

### Merchandise trade growth %




**Source:** Key Economic Indicators, MOSPI, Updated as on 14 June 2019

## Indian trade

While India's merchandise exports witnessed an increase during the year, imports outpaced exports, owing to the increased inbound shipments of gold and other precious stones along with increased crude oil prices, thereby widening India's trade deficit.

India's merchandise trade has seen a growth in exports by 10 per cent in FY 18 which has slowed to 8.75 per cent in FY 19 which stands at USD330.07 billion. Simultaneously, growth in merchandise imports has fallen from a growth rate of 21.13 per cent in FY 18 to 10.41 per cent in FY 19, which stands at USD514.03 billion. The total trade deficit has widened from USD162.06 billion in FY 18 to USD183.96 billion in FY 19.[17]

## Overview of economic measures undertaken in India during FY19

The government undertook several reforms during FY19 to drive structural changes in the economy and address underlying issues.

Huge investments have been made in the infrastructure sector with total investment in road infrastructure increasing more than three times from INR51,914 crore in 2014-15 to INR158,839 crore in 2018-19.[18]

17. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019

18. Economic Survey 2018-19, Ministry of Finance, Accessed on 4 July 2019

The RBI's Monetary Policy Committee has cut the repo rate by 0.25 per cent to bring it down to 5.75 per cent[19] to boost economic growth of the country. The RBI along with the government is constantly working towards addressing the challenge of rising NPAs in India's banking system. In the medium-term, various NPA accounts identified by the RBI are expected to undergo redressal proceedings, with the IBC and NCLT playing key roles.

**PSU banks got INR1.95 lakh crore capital infusion in 18 months as part of a proposed INR 2.5lakh crore recapitalisation plan during March 2019 to facilitate credit growth[20].** These measures are expected to help banks improve their lending capacities and their balance sheets.[21]

**India's improving regulatory framework received widespread international acclaim, as it jumped 23 places to the seventy- seventh rank in the World Bank's Ease of Doing Business 2018 report.**

The government revised its fiscal deficit target for FY 2020 to 3.1 per cent[22]. Achieving the fiscal deficit, FY 2020 requires cutting GoI's expenditures.

### Fiscal deficit as % of GDP


**Source:** Key Economic Indicators, MOSPI, Updated as on 14 June 2019

19. Reserve Bank of India slashes repo rate to 5.75%, bank loans may get cheaper, India today, 6 June 2019
20. PSU Banks got Rs 1.95 lakh crore capital infusion in 18 months; govt completes massive recapitalisation, Financial Express, 2 April 2019
21. India jumps 23 spots to 77 in World Bank's ease-of-doing-business rankings, Business Standard, Live Mint, 1 November 2018
22. Economic Survey 2018-19, Ministry of Finance, Accessed on 5 July 2019

Going forward, the government's focus on infrastructure, job creation and agriculture sector could provide the necessary thrust to the economy.

As FY 2020 approaches, the government is expected to undertake several reforms such as streamlining GST, revamping labour laws, divestments, promote electric vehicles, lower tax rates for companies with turnover up to INR400 crore and agriculture infrastructure investments.

# Budget financials

## Expenditure

| Expenditure | 2018-19 | 2019-20 |
|---|---|---|
| General Service | 48% | 47% |
| Economic Service | 30% | 30% |
| Grants-in-aid | 16% | 17% |
| Social services | 5% | 5% |
| Loans & advances | 1% | 1% |
| | *2018-19* 100% = USD358.72 billion | *2019-20* 100% = USD406.45 billion |

## Receipts

| Receipts | 2018-19 | 2019-20 |
|---|---|---|
| Debt receipts | 26% | 25% |
| Tax revenue | 60% | 61% |
| Non-tax revenue | 10% | 10% |
| Miscellaneous capital | 3% | 3% |
| Recoveries of loans and advances | 1% | 1% |
| | *2018-19* 100% = USD352.70 billion | *2019-20* 100% = USD398.96 billion |

**Note:** The total receipts have been calculated as the summation of capital receipts and revenue receipts

**Source:** Union Budget 2019-2020, Ministry of Finance, 5 July 2019

**Note:** Conversion rate USD/INR – 68.5 as on 5 July 2019, Source: Oanda

## Expenditure

| | Capital | Revenue | TOTAL |
|---|---|---|---|
| 2018-19 | 46.22 | 312.50 | 358.72 |
| 2019-20E | 49.10 | 357.35 | 406.45 |

## Receipts

| | Capital | Revenue | TOTAL |
|---|---|---|---|
| 2018-19 | 100.20 | 252.50 | 352.70 |
| 2019-20E | 110.25 | 288.71 | 398.96 |

## GDP Growth rate

| 2018-19 (INR cr.) | 2019-20E (INR cr.) |
|---|---|
| 6.8% | 7.0% |

## Fiscal Deficit

| 2018-19 (INR cr.) | 2019-20E (INR cr.) |
|---|---|
| 3.3% | 3.1% |

**Note:** The total receipts have been calculated as the summation of capital receipts and revenue receipts
**Source:** Union Budget 2019-2020, Ministry of Finance, 5 July 2019
**Note:** Conversion rate USD/INR – 68.5 as on 5 July 2019, Source: Oanda

# Budget proposals

## Direct tax

### Corporate Tax

- The benefit of reduced tax rate of 25 per cent extended to companies with turnover upto INR400 crore
- In a tax neutral demerger, the provisions for recording properties and liabilities at book value by the resulting company made inapplicable where resulting company follows Ind As in accordance with the corporate law provisions.
- The beneficial provisions for taxing interest on certain categories of bad and doubtful debts on receipt basis *inter alia* available to banks and financial institutions extended to deposit taking NBFC or a systemically important non-deposit taking Non-Banking Financial Company. On the same principle, the deduction of interest on any loan/borrowings from such NBFCs to be allowed to the borrower only on payment basis as stipulated.
- The buy-back tax applicable on buy-back of shares of unlisted companies extended to listed companies. This amendment applies from 5 July 2019. The income arising to the shareholder as a result of such buy-back to be exempt from tax.
- Notwithstanding any change in shareholding or voting beyond the stipulated threshold, the benefit of carry forward and set-off of business losses to companies extended to a company, its subsidiary and the subsidiary of such subsidiary in a case where NCLT has suspended the board of directors and appointed new directors pursuant to an operation and mismanagement petition by the Government and the change in shareholding has taken place pursuant to the resolution plan approved by NCLT after affording an opportunity to be heard to the jurisdictional Principal CIT.
- The benefit of deducting aggregate amount of unabsorbed depreciation and brought forward loss in computing the book profit for the purpose of levy of MAT extended to companies before NCLT in case of oppression and mismanagement. The extention covers the company, its subsidiary and the subsidiary of such subsidiary, where new directors are appointed and old Board of Directors are suspended by NCLT pursuant to an application by the government under the provisions of oppression and mismanagement.

### Start-ups

- The exemption from deemed taxable income provisions for issue of shares exceeding the stipulated FMV available to eligible start-up revoked if there is a failure in fulfilment of specified conditions. In such case, the start-up subjected to tax for the excess of consideration in the year of failure.
- The roll-over benefit for long term capital gain on sale of residential property where the net consideration is invested in equity shares of an eligible company or an eligible start-up modified as under:

- The sunset date for this benefit for investment in eligible start-up extended from 31 March 2019 to 31 March 2021.
- For investment in eligible start-up, the restriction on transfer of new asset within five years from the date of acquisition has been relaxed to three years in respect of new assets being computer or computer software.
- The condition of minimum shareholding to either 50 per cent of share capital or voting rights relaxed to 25 per cent.

- In case of an eligible start-up company, the business losses allowed to be carried forward and set-off in a previous year on satisfaction of either of the conditions i.e. (a) On the last day of the previous year, the shares of the company carrying not less than 51 percent of the voting power are beneficially held by persons who beneficially held shares of the company carrying not less than fifty-one percent of the voting power on the last day of the year or years in which the loss was incurred; or (b) all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred, continue to hold those shares on the last day of such previous year and such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated.
- The FM's budget speech clarifies that start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums. An e-verification mechanism to be put in place.

## Non-resident taxation

- The deemed taxable income provisions relating to gift of money or property extended to gifts received by non-resident from residents. This provision will apply to sums paid or property transferred to Non-Residents on or after 5 July 2019.
- The two conditions out of the many conditions to be fulfilled by an eligible investment fund (fund) for not constituting a business connection in India or becoming a resident of India modified as under:
  - A fund established/incorporated in the previous year is required to fulfill the corpus condition of INR100 crore within a period of six months from the last day of the month of its establishment/incorporation or at the end of the previous year, whichever is later.
  - The remuneration paid by the fund to the manager to be not less than the amount calculated in the prescribed manner (erstwhile requirement was as per the arm's-length principle).
- The application for lower or nil TDS certificate to AO in respect of payments to non-residents by payers streamlined by eliminating manual filing and prescribing use of technology to speed up the process and provide administrative

benefits. This amendment will take effect from 1 November 2019.

- The earlier announcement with respect to tax exemption for interest payable by an Indian company or a business trust to a non-resident including a foreign company on specified rupee denominated bond issued from 17 September 2018 to 31 March 2019 is enacted. This provision to apply from AY 2019-20 and onwards.

## Transfer Pricing

- The power of AO in case of a modified return filed pursuant to a signed APA for year(s) of completed assessment or reassessment restricted to merely modifying the total income in accordance with the terms of the APA. This amendment will take effect from 1 September 2019.
- The Secondary Adjustment (SA) provisions stand modified with effect from AY 2018-19 as under:
  - SA provisions to apply only in case of APAs signed on or after 1 April 2017
  - The existing two conditions made alternative to each other i.e. (a) primary adjustment not exceeding INR1 crore; or (b) primary adjustments made on or before AY 2016-17.
  - No refund to be given for taxes paid under the pre-amended section.
  - Excess money repatriation back to India can be from any of the Non-Resident AEs of the taxpayer.
- The SA provisions also stand amended with effect from 1 September 2019 to provide an option of payment of additional tax to stop its applicability as under:
  - If the excess money or part thereof has not been repatriated in time, the taxpayer granted an option to pay a one-time additional tax at 20.16 per cent (18 percent tax plus a surcharge of 12 per cent) on such non-repatriated amount.
  - The tax on interest calculation for the excess money would continue to apply till the date of payment of such additional tax.
  - This additional tax paid would be non-deductible in nature.
  - Once the taxpayer pays the additional tax and interest as above, there would not be any obligation on him to repatriate the excess money and SA provisions would not apply from that date.
- The provisions of filing Master File (MF) stand amended as under from 1 April 2020:
  - The MF to be filed by every constituent entity of an international group irrespective of whether the constituent entity has entered into an international transaction/s or not.
  - The powers of the Tax Officer and the Commissioner (Appeal) to call for MF is done away with.
- The CbCR of a Non-Resident Parent filed by an Indian Resident Alternate Reporting Entity would

be as per the accounting year followed by the Non-Resident Parent in its jurisdiction and not as per the financial year followed by the Indian Reporting Entity.

## International Financial Services Centre

- The ten years tax holiday eligible to a unit in IFSC at 100 per cent of profits for first five years and 50 per cent for next five years liberalised to 100 per cent deduction for 10 consecutive years within 15 years from the year of obtaining necessary permission.
- To facilitate overseas borrowings, interest payable to non-residents by units located in IFSC in respect of monies borrowed on or after 1 September 2019 would be tax-exempt.
- The benefit of exemption from levy of DDT to IFSC-Unit also extended to dividend paid out of accumulated income derived from operations in IFSC after 1 April 2017. This amendment will take effect from 1 September 2019.
- Specified Mutual Fund (mutual fund located in IFSC deriving its income solely in convertible foreign exchange and of which all the units are held by non-residents) provided with relief from additional tax on distribution of any amount. This amendment will take effect from 1 September, 2019.
- A unit in IFSC of a non-resident taxpayer receiving income in the nature of interest, specified investment income and dividend now made eligible for tax holiday.
- The exemption to non-resident for any capital gains tax on the transfer of specified securities made on recognised stock exchange in IFSC is now extended to Category-III AIF located in IFSC provided all its unit holders are non-residents and it derives its income solely in convertible foreign exchange. The ambit of specified securities widened to include 'other securities' to be notified in this regard.

## Tax holidays/incentives

- The FM in her Budget speech announced investment linked deduction for mega manufacturing plants to be set-up through competitive bidding by global companies in sunrise and advanced technology areas such as semi-conductor fabrication, computer servers, laptops, etc. The Finance Bill incorporates no such proposals at this stage.
- The definition of 'affordable housing' aligned with the GST Act and the conditions for claiming profit linked deduction for such projects approved on or after 1 September 2019 modified as under:
  - The carpet area of the residential unit in the housing project shall not exceed 60 square meters in metropolitan cities and 90 square meters in cities or towns other than metropolitan cities.
  - The definition of metropolitan cities have been extended and now includes Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata

and Mumbai (whole of Mumbai Metropolitan region)

- The stamp duty value of the residential unit in such project not to exceed INR45 lakh.

- The taxability of Category I and Category II AIF and its unit holders modified as under:
  - Business loss shall be carried forward and set off at the AIF level.
  - The loss other than in the nature of business loss shall be allowed to be carried forward and set off in the hands of the unit holder of an AIF where the unit holder has held unit of the AIF (on which loss is incurred) for atleast twelve months.
  - The accumulated losses at the AIF level as on 31 March 2019 which is not in the nature of business loss shall be deemed to be loss of the unit holders which have held such units as on 31 March 2019 and allowed to be carried forward and set off for the remaining eligible period.

## Capital gains

- The special provisions deeming stipulated FMV of unquoted shares as full value of consideration for computing capital gains relaxed for specified class of persons to be notified and subject to such conditions as may be prescribed by CBDT.
- The concessional STCG tax rate of 15 per cent extended to transfer of units of eligible fund of fund (Mutual Funds) in line with benefit available to it for LTCG.

## TDS

- The ambit of TDS on transfer of immovable property expanded to include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property. This amendment will take effect from 1 September 2019.
- All Individuals and HUF otherwise not obliged to deduct tax at source including cases of personal use made liable to deduct tax at 5 per cent on payments for contractual work or fees for professional services payable to any resident if the sums paid during a financial year exceeds INR50 lakh. Such deductors can deposit the TDS using their PAN and are not required to obtain TAN. The recipient made eligible to apply for obtaining lower TDS certificate in such cases. This amendment will take effect from 1 September 2019.
- All banks and post offices obliged to deduct TDS at 2 per cent on cash withdrawal by any person in excess of INR1 crore in aggregate in a financial year from any account maintained with them by the recipient. This TDS will not apply to withdrawals by specified persons such as government, banks, post office, business correspondents of banks, white label ATM operator and other notified persons. This amendment will take effect from 1 September 2019.

- The withholding tax rate increased to 5 per cent from 1 per cent for payment of any sum under a non-exempt life insurance policy including bonus. This amendment will take effect from 1 September 2019.

## Return and assessment

- The obligation with respect to the maximum amount not chargeable to tax for filing an income-tax return by any person other than a company or a firm to be computed before claiming any specified exemption and rollover benefits in respect of eligible capital gains.
- Any person other than a company or a firm who is otherwise not required to furnish an income tax return is now obliged to do so if he enters into any of the following high value transactions during the previous year:
  - has deposited aggregate of the amounts exceeding INR1 crore in one or more current accounts or
  - has incurred aggregate expenditure of the amounts exceeding INR2 lakh for himself or any other person towards travel to a foreign country or
  - has incurred aggregate expenditure of the amounts exceeding INR1 lakh towards electricity expense or
  - fulfils such other conditions as may be prescribed.
- In order to enable pre-filling of return of income, the scope of furnishing statement of financial transactions or reportable account by specified person has been widened. Further, the monetary threshold of INR50,000 has also been removed. This amendment will take effect from 1 September 2019.

## Penalty

- The provisions stipulating levy of penalty for case of under reporting extended to case where an assessee files return of income pursuant to issue of notice for income escaping assessment. This amendment will take effect retrospectively from AY 2017-18

## Other amendments

- For granting registration, the Principal Commissioner or the Commissioner to be satisfied about the compliance of the trust or institution to the requirements of any other law which are material for the purpose of achieving its objectives. The Principal Commissioner or Commissioner to cancel the registration if an undisputed order/direction/decree holds that the trust or institution has violated such requirements.
- The relaxation from deemed taxable income provisions for issue of shares by venture capital undertakings exceeding the stipulated FMV inter alia available to AIF Category I (sub-category VCF) extended to AIF Category II.

- The deemed taxable income provisions for receipt of money or specified property by recipients for no or inadequate consideration relaxed for specified class of recipients to be notified and subject to such conditions as may be prescribed by the CBDT.
- In line with provision for payment to residents, a taxpayer who fails to deduct whole or any part of tax on payments made to a non-resident will not deemed to be an assessee in default (though interest would be liable) if the payee has furnished his return of income after taking into account the underlying sum and paid tax due thereon and the payer furnishing an accountant certificate to that effect in a prescribed form. In such situation, the payer would be eligible for deduction of the underlying expenditure as if he has deducted and paid the tax on the date of furnishing of return by the non-resident payee.
- Person carrying on business with total sales, turnover, or gross receipts, exceeding INR50 crore during immediately preceding previous year to provide facility for accepting payment through prescribed electronic modes, in addition to similar facilities already being provided. Failure to comply may lead to penalty of INR5,000 for every day during which such default continues. These provisions take effect from 1 November 2019.
- Every claim of refund to be made by furnishing a return of income in accordance with the applicable provisions of the Act. This provision takes effect from 1 September 2019.
- In order to encourage other electronic modes of payment, several provisions amended to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment/receipt in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.

## Personal tax

- No changes in basic exemption limit, income slabs, tax rates and cess for individuals
- Surcharge to be increased to 25 per cent and 37 per cent from 15 per cent where the total income exceeds INR20,000,000 and INR50,000,000 respectively
- Tax free withdrawal from NPS on closure/opting out, enhanced to 60 per cent from 40 per cent
- All individuals made eligible for interest deduction up to INR1.5 lakh on loans for purchase of a residential house subject to satisfaction of the following conditions:
  - The loan has been sanctioned by any financial institution during FY 2019-20
  - Stamp duty value of the residential house property does not exceed INR45 lakh
  - The individual does not own any residential house property on the date of sanction of the loan.

  - No other deduction is being claimed or eligible for such interest

- All individuals made eligible for interest deduction upto INR1.5 lakh on loans taken for purchase of electric vehicles from any financial institution including NBFCs during the period from 1 April 2019 to 31 March 2023.
- The tax relief eligible in case of income in the nature of salary received in advance or in arrears has been put on par with prepaid taxes and the computation of advance tax and income-tax liability under various provisions to be made after allowing of such relief. This amendment will apply with retrospective effect from 1 April 2007.
- PAN and Aadhaar allowed to be used interchangeably in cases of persons who has not been allotted a PAN but possesses an Aadhaar number or a person who has been allotted PAN and has linked his Aadhaar Number to such PAN. An obligation also cast on recipient of such declaration to authenticate the details provided in the prescribed manner.

# Indirect tax

## Indirect tax highlights

- The Finance Minister reiterated recent recommendations of the GST Council on a simplified return structure, automated refund mechanism, E-invoicing which obviates the need for a separate E-way bill from January 2020 and reduction in GST rate for electrical vehicles from 12 per cent to 5 per cent
- Some other key amendments proposed in the GST laws are introduction of composition scheme for supplier of services, increase in exemption threshold to INR40 lakh in case of exclusive supplier of goods, mandatory Aadhaar authentication for new registrations, constitution of National Appellate Authority for Advance Ruling (NAAAR)
- Customs duty rates realigned by increasing rates/ withdrawing exemptions, to boost domestic manufacturing of several products
- Customs duty rate reduction proposed on certain raw materials and capital goods (such as inputs for manufacture of artificial kidney, disposable sterilised dialyzer and fuels for nuclear power plants or capital goods for manufacture of specified electronic items) to further promote domestic manufacturing
- Customs duty exempted proposed on certain parts of electric vehicles to incentivise e-mobility, while Customs duty increased on some automobile parts. Also, Customs duty exemption provided on import of defence equipment to enable modernisation and up gradation of the defence sector
- Special Additional Excise duty and Road and Infrastructure Cess, each proposed to be increased by INR1 a litre on petrol and diesel, to boost government revenue
- Excise duty increased on cigarettes and tobacco products
- Proposal for setting up of legacy dispute resolution scheme for speedy disposal of pre-GST litigations.

## Goods and Services Tax

- Provision inserted to make interest applicable on net cash liability of tax declared in the return (i.e. cash paid by debiting electronic cash ledger instead of gross liability), except in those cases where returns have been filed subsequent to initiation of any proceedings relating to short payment, non-payment of tax or wrong availment of ITC, etc.
- Increase in exemption threshold for registration to INR40 lakh (from INR20 lakh) in case of exclusive supplier of goods [to be decided at the request of State and on the recommendations of the Council]
- Central Government may disburse refund amount to the taxpayers in respect of state taxes as well
- Introduction of penalty of 10 per cent of profiteered amount, in case National Anti-

profiteering Authority concludes that the taxpayer is guilty of profiteering. However, the said penalty is not payable where the profiteered amount is deposited within 30 days of the date of passing of the order by the Authority

- Facility introduced to transfer any amount from one head to another head in electronic cash ledger
- In order to bring consistency in tax positions under GST, NAAAR constituted, for resolution of diverse views of State specific Advance Ruling Authorities
- An alternative composition scheme for supplier of services or mixed suppliers, having an annual turnover in the preceding financial year up to INR50 lakh, has been introduced. The rate of tax payable under composition scheme, has been capped at 3 per cent
- Commissioner empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source, Annual Return (i.e. Form GSTR-9/9A) and reconciliation statement (i.e. Form GSTR-9C)
- Aadhaar authentication mandatory for specified class of new taxpayers. Manner, in which certain class of registered taxpayers are required to undergo Aadhaar authentication, to be prescribed
- Specified suppliers (to be notified) shall have to mandatorily give the option of specified modes of electronic payment to their recipients.

## Customs duty

### General

- General Basic Customs Duty (BCD) rate remain unchanged.

### Amendments (effective from enactment of Finance Bill (No.2), 2019)

*Customs Act, 1962 (Customs Act)*

- To ensure compliances under the Customs Act or any other act, the Customs authorities are empowered to verify the identity of the person through Aadhaar or other mechanisms. Non-compliance of the above provision may lead to suspension of import/export of goods, refunds, drawback, exemptions, licence/registrations or other benefits
- Customs authorities are empowered to screen or scan person suspected to be secreted goods liable for confiscation in his body, subject to the specific procedure
- Offence committed outside India may also be prosecuted by the Customs authorities
- Fraudulently availment or attempting to avail drawback or any exemption from Customs duty exceeding INR50 lakh, made a cognisable offence
- Fraudulently obtaining of an instrument of value exceeding INR50 lakh and utilisation thereof under Customs Act or Foreign Trade (Development and Regulations) Act, 1992 is made a cognisable and non-bailable offence

- Person obtaining any instrument (and utilisation thereof) by fraud, collusion, wilful mis-statement or suppression of facts will be liable for penalty (not exceeding face value of such instrument) and with imprisonment upto seven years and fine irrespective to the fact whether the instrument was utilised by him or any other person
- Specific provision introduced to empower seizure of goods where removal, transport, store or possession of goods is not practicable for Customs authorities
- Scope of seizure provisions extended to the attachment of bank account for a period not exceeding six months, with a further extension of six months
- Fine in lieu of confiscation will not be applicable, where duty and interest has been paid voluntarily
- Penalty for non-compliance of provisions of rules or regulations made under Customs Act, increased from INR50 thousand to INR2 lakh
- General penalty i.e. where no specific penalty is provided under Customs Act, increased from INR1 lakh to INR4 lakh.

*Customs Tariff Act, 1975*

- Extension of Countervailing duty on article imported by alteration of description, name, composition, or condition (assembled or disassembled form) to circumvent Countervailing duty on specific goods
- Specific provision introduced to extend the appellate provision to specific circumstances requiring the imposition of Safeguard duty.

## Amendments in BCD (effective from 6 July 2019)

| S.No | Heading, sub-heading tariff item | Commodity | Effective duty rates (per cent) | |
|---|---|---|---|---|
| | | | From | To |
| **Petroleum and Petrochemicals** | | | | |
| 1 | 2709 00 00 | Petroleum Crude | Nil | INR 1 per tonne |
| 2 | 2710 | Naphtha | 5 | 4 |
| 3 | 2903 15 00 | Ethylene dichloride (EDC) | 2 | Nil |
| 4 | 2910 20 00 | Methyloxirane (Propylene Oxide) | 7.50 | 5 |
| **Plastic and Rubber** | | | | |
| 5 | 3904 | Poly Vinyl Chloride | 7.50 | 10 |
| 6 | 3926 90 91, 3926 90 99 | Articles of plastics | 10 | 15 |
| 7 | 4002 31 00 | All goods i.e. Butyl Rubber | 5 | 10 |
| 8 | 4002 39 00 | Chlorobutyl rubber or bromobutyl rubber | 5 | 10 |
| **Construction Materials** | | | | |
| 9 | 3918 | Floor covering of plastics, Wall or ceiling coverings of plastics | 10 | 15 |
| 10 | 6905, 6907 | Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles | 10 | 15 |
| 11 | 8302 | Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles | 10 | 15 |

| | | | | |
|---|---|---|---|---|
| **Paper and Paper products** | | | | |
| 12 | 48 | a. Newsprint<br>b. Uncoated paper used for printing of newspapers<br>c. Lightweight coated paper used for printing of magazines | Nil | 10 |
| 13 | 4901 10 10, 4901 91 00, 4901 99 00 | Printed books (including covers for printed books) and printed manuals, in bound form or in loose-leaf form with binder, executed on paper or any other material including transpar-encies | Nil | 5 |
| **Textiles** | | | | |
| 14 | 5101 | Wool Fibre | 5 | 2.5 |
| 15 | 5105 | Wool Tops | 5 | 2.5 |
| **Flooring materials** | | | | |
| 16 | 2515 12 20, 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00, 6802 92 00 | Marble Slabs | 20 | 40 |
| **Iron and Steel, Other base metals** | | | | |
| 17 | 7218 | Stainless steel in ingots or other primary forms; semi-finished products of stainless less | 5 | 7.50 |
| 18 | 7224 | Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel | 5 | 7.50 |

| | | | | |
|---|---|---|---|---|
| 19 | 7225, 7225 19 90 | Inputs for the manufacture of CRGO steel:-<br>a. MgO coated cold rolled steel coils<br>b. Hot rolled coils<br>c. Cold-rolled MgO coated and annealed steel<br>d. Hot rolled annealed and pickled coils<br>e. Cold rolled full hard | 5 | 2.50 |
| 20 | 7226 99 30 | Amorphous alloy ribbon | 10 | 5 |
| 21 | 7229 | Wire of other alloy steel (other than INVAR) | 5 | 7.50 |
| 22 | 8105 20 10 | Cobalt mattes and other intermediate products of cobalt metallurgy | 5 | 2.50 |
| **Capital goods** | | | | |
| 23 | 8474 20 10 | Stone crushing (cone type) plants for the construction of roads | Nil | 7.50 |
| 24 | 82, 84, 85 or 90 | Capital goods used for manufacturing of following electronic items, namely:<br>• Populated PCBA<br>• Camera module of cellular mobile phones<br>• Charger/Adapter of cellular mobile phone<br>• Lithium Ion Cell<br>• Display Module<br>• Set Top Box<br>• Compact Camera Module | Applicable rate | Nil |
| 25 | 84, 85 or 90 | Capital goods used for manufacturing of specified electronic items, namely-<br>• Cathode Ray tubes;<br>• CD/CD-R/DVD/DVD-R;<br>• Deflection components, CRT monitors/CTVs;<br>• Plasma Display Panel | Nil | Applicable |

| Automobile parts | | | | |
|---|---|---|---|---|
| 26 | 6813 | Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials. | 10 | 15 |
| 27 | 7009 | Glass mirrors, whether or not framed, including rear-view mirrors | 10 | 15 |
| 28 | 8301 20 00 | Locks of a kind used in motor vehicles | 10 | 15 |
| 29 | 8421 23 00 | Oil or petrol filters for internal combustion engines | 7.50 | 10 |
| 30 | 8421 31 00 | Intake air-filters for internal combustion engines | 7.50 | 10 |
| 31 | 8421 39 20, 8421 39 90 8421 39 90 | Catalytic converters | 5 | 10 |
| 32 | 8512 10 00, 8512 20 10, 8512 20 20, 8512 30 10 | Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles; Horn for vehicles | 10 | 15 |
| 33 | 8512 20 90, 8512 30 90 | Other visual or sound signaling equipment for bicycles or motor vehicles | 7.50 | 15 |
| 34 | 8512 90 00 | Parts of visual or sound signaling equipment for bicycles or motor vehicles | 7.50 | 10 |
| 35 | 8512 40 00, 8539 10 00, 8539 21 20, 8539 29 40 | Windscreen wipers, defrosters and demisters, Sealed beam lamp units and other lamps for automobiles | 10 | 15 |
| 36 | 8702, 8704 | Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704 | 25 | 30 |

| | | | | |
|---|---|---|---|---|
| 37 | Any Chapter | Following parts of electric vehicles: -<br>a. E-Drive assembly,<br>b. On board charger,<br>c. E-compressor and<br>d. Charging gun | Applicable rate | Nil |
| 38 | 8706, 8707 | Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705, Bodies (including cabs), for the motor vehicles of headings 8701 to 8705 | 10 | 15 |
| **Oil rigs and other goods used for oil exploration** | | | | |
| 39 | 84 or any other chapter | Providing option to pay BCD at transaction value on the disposal of goods, imported without payment of customs duty for petroleum operations/coal bed methane operations where such disposal is made in unserviceable and mutilated condition | Applicable rate on depreciated value | 7.5 on transaction value |
| **Electronics and Electrical equipment** | | | | |
| 40 | 8504 40 | Charger/Power adapter for CCTV camera/IP camera/DVR/NVR | Nil | 15 |
| 41 | 8415 90 00 | Indoor and outdoor unit of split –system air conditioner | 10 | 20 |
| 42 | 8518 21 00, 8518 22 00 | Loudspeaker | 10 | 15 |
| 43 | 8521 90 90 | Digital Video Recorder (DVR) and Network Video Recorder (NVR) | 15 | 20 |
| 44 | 8525 80 | CCTV camera and IP camera | 15 | 20 |
| 45 | 9001 10 00 | Optical Fibres, optical fibre bundles and cables | 10 | 15 |

- BCD exempted on import of specified goods imported by the Ministry of Defence or the defence forces
- BCD exempted on raw materials, parts or accessories for use in manufacture of artificial kidney, disposable sterilised dialyzers and micro barrier of artificial kidney.

### Amendments (effective from a date to be notified)

- The changes proposed in various Customs tariff to create tariff lines for specific products, which are presently classified as others, to rectify the errors and align it with HSN.

### Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 (the Scheme)

- The Scheme has been introduced for resolution and settlement of tax dues of Central Excise, Service Tax, Cess, other specified ancillary Indirect Tax Acts or any other Act that may be notified
- Relief within the range of 40 per cent to 70 per cent of the tax dues available as follows:

| Scenario | Amount of Tax/Duty | Relief |
|---|---|---|
| Tax dues relatable to Show Cause Notice (SCN) or Appeal pending as on 30 June 2019 | Less than or equal to INR50 lakh | 70 per cent of tax dues |
| | More than INR50 lakh | 50 per cent of tax dues |
| Tax dues relatable to SCN for late fee or Penalty only and the amount of duty in the said notice has been paid or Nil | Only late fee and penalty is under dispute | Entire amount of late fee or penalty |
| Tax dues relatable to an amount in arrears as defined in the scheme | Less than or equal to INR50 lakh | 60 per cent of tax dues |
| | More than INR50 lakh | 40 per cent of tax dues |
| Tax dues relatable to an amount in arrears and declarant has indicated the amount payable in indirect tax return but not paid it | Less than or equal to INR50 lakh | 60 per cent of tax dues |
| | More than INR50 lakh | 40 per cent of tax dues |
| Tax dues linked to an enquiry, investigation or audit against the declarant on or before 30 June 2019 | Less than or equal to INR50 lakh | 70 per cent of tax dues |
| Tax dues as per voluntary disclosure | Any amount | No relief |

- The Scheme provides immunity from payment of interest, penalty and prosecution, under specified circumstances
- The duty payable under the Scheme cannot be paid by utilising Input Tax Credit (ITC).

## Excise duty

**Rate changes (effective from 6 July 2019)**

- Excise duty increased from Nil to 0.5 per cent on following:
  - 'Homogenised' or 'reconstituted' tobacco
  - Chewing tobacco and preparations containing chewing tobacco
  - Jarda scented tobacco
  - Snuff, preparations containing snuff
  - Tobacco extracts and essence
  - Hookah or gudaku tobacco
- Excise duty increased from Nil to 1 per cent on smoking mixtures for pipes and cigarettes
- Excise duty increased from Nil to INR5 per thousand, on non-filter cigarettes of lengths less than 70 millimetres, filter cigarettes of lengths less than 75 millimetres and cigarettes of tobacco substitutes. Excise duty increased from Nil to INR10 per thousand on all other kinds of cigarettes
- Excise duty increased from Nil to 5 paisa per thousand on other than paper rolled biris, manufactured without the aid of machine
- Excise duty increased from Nil to INR1 per litre on crude petroleum; however petroleum produced in specified oil fields under New Exploration Licensing Policy is exempted
- Road and Infrastructure Cess on petrol/ diesel increased from INR8 per litre to INR9 per litre
- Special Additional Excise duty on petrol increased from INR7 per litre to INR8 per litre
- Special Additional Excise duty on diesel increased from INR1 per litre to INR2 per litre.

## Service tax

- Service tax exemption is proposed on
  - Grant of liquor licence by the state government, during the period from 1 April 2016 to 30 June 2017
  - Specified educational programmes, provided by Indian Institute of Management to their students, during the period 01 July 2003 to 31 March 2016
  - Upfront amount payable by developers to State Government Industrial Development Corporation or any entity having 50 per cent or more ownership of Central Government, State Government, Union Territory, for grant of long-term lease of 30 years or more of plots, for development of infrastructure for financial business, in any industrial or financial business area, for the period from 01 October 2013 to 30 June 2017.

## Key regulatory proposals

### Financial service sector

- As a measure to boost capital growth, the government proposes to infuse capital of INR70,000 crore in PSU banks
- SEBI to consider proposal to raise minimum public shareholding in the listed companies from 25 per cent to 35 per cent with SEBI
- An electronic fund raising platform (Social Stock Exchange) to be setup under the regulatory purview of SEBI which will enable social welfare and voluntary organisations to raise capital as equity, debt or units like mutual fund
- FDI upto 100 per cent will be allowed for insurance intermediaries such as brokers, corporate agents, third party administrators.
- To enable sound NBFCs to continue to get bank funding, the government to provide first loss cover up to 10 per cent on portfolio sold to PSU banks
- At present, the NHB is the regulatory authority for HFC and is also the refinancer and lender to the housing finance sector. To resolve this conflicting mandate of NHB it is proposed that regulatory authority will now re-shift to RBI
- RBI to have more powers to govern NBFCs such as removal of directors of NBFCs (except government company), supersession of Board of Directors, taking action against the auditors and inspect/audit the NBFC group companies
- In order to instill confidence in the NBFC sector, the RBI has now been empowered to enhance the Net Owned Fund up to INR100 crore
- NBFCs will be permitted to directly participate on the TReDS platform
- In addition to special reserve, NBFCs are required to maintain DRR for public placement of debt. Such requirement of DRR is now done away with.
- In order to facilitate on-shoring of international insurance transactions, the Net Owned Fund for branch of foreign reinsurers in IFSC has been reduced from INR5,000 crore to INR1,000 crore
- Government to introduce a regulatory road map to develop the IFSC as a hub for aircraft financing and leasing.

### Infrastructure, energy and transportation

- Under Phase-II of FAME scheme the government is to encourage faster adoption of Electric Vehicles and offer an upfront incentive on purchase of Electric Vehicles and establish the necessary charging infrastructure.

- To meet the capital expenditure outlay of railways, the government is to adopt PPP model for railway infrastructure and metro-rail initiatives to ensure faster completion of the projects
- Government to upgrade roads connecting villages to rural markets under various schemes over the next five years.
- Government to announce a new package of power sector tariff and structural reforms.
- Government to tap the benefits of R&D carried out by ISRO by commercialisation of various space products through a separate incorporated entity.
- The mission LED bulb method to be used to promote the use of solar stoves and battery chargers in the country.

## Other sectors

- Various liberalisation measures introduced to augment investments by FPIs.
- The local sourcing norms under FDI guidelines to be relaxed for the single-brand retail trading sector.
- The opening up of FDI on anvil for aviation, media and other sectors.
- Government to develop 17 iconic world-class tourist sites.
- The government to set-up a new payment platform for MSMEs.
- The government announced a new television channel for start-ups.
- Aadhaar may be applied by NRI passport holders on return to India without waiting for 182 days

# Direct tax rate card

These rates are subject to enactment of the Finance Bill (No. 2), 2019. The rates are for the FY2019-20.

**1. Income tax rates**

i. For Individuals, Hindu Undivided Families, AOPs, BOIs and Artificial Juridical Persons

| Total income | Tax rates |
|---|---|
| Up to INR250,000 [(a)(b)] | NIL |
| INR250,001 to INR500,000[(c)] | 5% |
| INR500,001 to INR1,000,000 | 20% |
| INR1,000,001 and above | 30% |

a. For a resident individual aged sixty or above but less than eighty, the basic exemption limit is INR300,000

b. For a resident individual aged eighty or above, the basic exemption limit is INR500,000

c. Rebate from tax of upto INR12,500 or 100 per cent of the tax whichever is less available for a resident individual whose total income is below INR500,000

d. Tax rates need to be further increased by the applicable surcharge and cess.(refer point 4)

ii. For Firms (including Limited Liability Partnerships)

- LLPs are taxable at 30 per cent
- Tax rates need to be further increased by the applicable surcharge and cess.

iii. For Domestic Companies

- Domestic companies, whose total turnover or gross receipts in the FY 2017-18 does not exceed INR4,000,000,000 are taxable at 25 per cent
- Companies set up and registered on or after 1 March 2016 engaged solely in the business of manufacture or production of article or thing may at their option be taxable at 25 per cent provided they do not claim specified benefits or deductions.
- Other domestic companies are taxable at 30 per cent
- Special method for computation of total income of insurance companies. The rate of tax on profits from life insurance business is 12.5 per cent
- Special code of tonnage tax on income earned by domestic shipping companies
- Presumptive tax regime applies to certain businesses
- Tax rates need to be further increased by the applicable surcharge and cess.

iv. For Foreign Companies

- Foreign companies are taxable at 40 per cent

- Presumptive tax regime applies to foreign companies in certain businesses
- Tax rates need to be further increased by the applicable surcharge and cess.

**2. Minimum Alternate Tax**

- MAT is levied at 18.5 per cent of the adjusted book profit for companies where income-tax payable on the total income (according to the normal provisions of the Act) is less than 18.5 per cent of the adjusted book profit
- MAT is levied at 9 per cent of adjusted book profit for companies being units located in an IFSC which derives income solely in convertible foreign exchange where income-tax payable on the total income (according to the normal provisions of the Act) is less than 9 per cent of the adjusted book profit.
- Tax rates will further increase by the applicable surcharge and cess.

**3. Alternate Minimum Tax**

- AMT is levied at 18.5 per cent of the adjusted total income in case of persons other than a company where income-tax payable on the total income (according to the normal provisions of the Act) is less than 18.5 per cent of the adjusted total income
- AMT will not apply to an Individual, HUF, AOP, BOI or an Artificial Judicial Person if the adjusted total income of such person does not exceed INR2,000,000

**4. Surcharge and cess**

i. For Individuals, Hindu Undivided Families, AOPs, BOIs and Artificial Juridical Persons

| Total income | Surcharge |
|---|---|
| More than INR5,000,000 but less than INR10,000,000 | 10% |
| More than INR10,000,000 but less than INR20,000,000 | 15% |
| More than INR20,000,000 but less than INR50,000,000 | 25% |
| Exceeds INR50,000,000 | 37% |

Health and education cess at 4 per cent is applicable on income-tax (inclusive of surcharge, if any)

ii. For Firms (including Limited Liability Partnerships)

| Total income | Surcharge |
|---|---|
| More than INR10,000,000 | 12% |

Health and education cess at 4 per cent is applicable on income-tax (inclusive of applicable surcharge)

iii. For Companies

| Total income | Surcharge | |
|---|---|---|
| | Domestic Company | Foreign Company |
| More than INR 10,000,000 but less than INR100,000,000 | 7% | 2% |
| Exceeds INR 100,000,000 | 12% | 5% |

Health and education cess at 4 per cent is applicable on income-tax (inclusive of applicable surcharge)

**4. Dividends earned by an assessee resident in India other than domestic company and specified funds, trusts, etc.**

Dividend income exceeding INR1,000,000 received by an assessee resident in India other than a domestic company or specified funds or institutions or trusts is taxable at 10 per cent (plus applicable surcharge and cess) on gross amount of such dividends in addition to DDT payable by the company.

**5. Foreign dividends earned by an Indian company**

Dividends earned by an Indian company from a foreign company in which it holds 26 per cent or more equity shares shall be taxable at the rate of 15 per cent (plus applicable surcharge and cess) on gross amount of such dividends.

**6. Dividend Distribution Tax**

- Domestic company, other than unit of an IFSC, is liable to pay DDT at:
  - 15 per cent (plus applicable surcharge and cess) on dividends distributed [other than dividend under section 2(22)(e)]. Amount of dividend distributed shall be increased to such amount as would after reduction of tax on such increased amount be equal to the net distributed profits.
  - 30 per cent (plus applicable surcharge and cess) on amounts deemed as dividends under section 2(22)(e).
  - Equity Oriented Fund is liable to pay DDT at 10 per cent on income distributed. Amount of income distributed shall be increased to such amount as would after reduction of tax on such increased amount be equal to the net distributed income.
  - Surcharge at 12 per cent is applicable.
  - Health and education cess at 4 per cent is applicable on DDT (inclusive of applicable surcharge)

**7. Tax on buy-back of shares**

- Any amount of distributed income by the company on buy-back of shares (including shares listed on a recognised stock exchange) from a shareholder shall be charged to tax at the rate of 20 per cent on such distributed income.(Computed as prescribes)

- Surcharge at 12 per cent is applicable.
- Health and education cess at 4 per cent is applicable on tax (inclusive of applicable surcharge)

**8. Key rates for Non-Residents**

The following incomes in the case of non-resident are taxed at special rates on a gross basis:

| Nature of income | Rate |
|---|---|
| Interest received on loans given in foreign currency to Indian concern or Government of India | 20% |
| • Interest received from Indian company or business trust on monies borrowed from a source outside India<br>- in foreign currency and approved by the central government:<br>- On issue of long-term infrastructure bond from 01 July 2012 to 30 June 2014<br>- Under a loan agreement from 01 July 2012 to 30 June 2020<br>- On issue of long-term bond from 01 October 2014 to 30 June 2020<br>• On issue of rupee denominated bond upto 30 June 2020[a] | 5% |
| Royalty for agreements entered into on or after 1 April 1976 | 10% |
| Fees for Technical Services for agreements entered into on or after 1 April 1976 | 10% |

a. Exempt where rupee denominated bond issued during the period from 17 September 2018 to 31 March 2019

Tax rates need to be further increased by the applicable surcharge and cess.

## 9. Capital Gains

| Particulars | Short-term capital gains tax rates[a] | Long-term capital gains tax rates[a] |
|---|---|---|
| Sale transactions of listed equity shares[b]/unit of an equity oriented fund[c]/unit of business trust[c] | 15% | 10%[d] |
| Sale transaction other than mentioned above[e] | | |
| Individuals (resident and non-residents) | Progressive slab rates | 20%/10%[f] |
| Resident companies | 30% | |
| Overseas financial organisations specified in section 115AB | 40% (corporate) 30% (non-corporate) | 10% |
| FIIs | 30% | 10% |
| Foreign companies | 40% | 20%/10%[f] |

a. These rates need to be further increased by the applicable surcharge and cess.

b. Provided STT is paid both on acquisition and transfer (other than those notified).

c. Provided STT is paid on transfer.

d. Rate of 10 per cent applies to long term capital gains exceeding INR100,000 without benefit of indexation and foreign currency fluctuation.

e. Rate of 20 per cent with indexation and 10 per cent without indexation applies in respect of listed securities and zero coupon bonds (other than units).

f. Rate of 10 per cent applies to long term capital gains of non residents/foreign companies from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, without benefit of indexation and foreign currency fluctuation.

## 10. Securities Transaction Tax

STT in the range of 0.001 to 0.2 per cent is payable by purchaser/seller as the case may be on the value of taxable securities transactions.

## 11. Equalisation levy

Equalisation Levy at 6 per cent is applicable on the amount of consideration for online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement.

**Note:** The tax rates indicated are key rates for general reference purpose only.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# Glossary

| | |
|---|---|
| AIF | Alternative Investment Fund |
| APA | Advance Pricing Agreement |
| ATM | Automated Teller Machine |
| AMT | Alternate Minimum Tax |
| AY | Assessment Year |
| AO | Assessing Officer |
| AOP | Association of Person |
| BCD | Binary-coded Decimal |
| BOI | Body of Individual |
| CBDT | Central Board of Direct Taxes |
| CBCR | Country-by-Country Report |
| CPI | Consumer Price Index |
| DDT | Dividend Distribution Tax |
| DEA | Drug Enforcement Administra-tion |
| DRR | Debenture Redemption Reserve |

| | |
|---|---|
| FMV | Fair Market Value |
| FII | Foreign Institutional Investor |
| FY | Financial Year |
| FPIs | Foreign Portfolio Investments |
| GST | Goods and Services Tax |
| GDP | Gross Domestic Product |
| GFCE | Government Final Consumption Expenditure |
| GVA | Gross Value Added |
| HFC | Housing Finance Company |
| HUF | Hindu Undivided Family |
| IBC | Insolvency and Bankruptcy Code |
| IFSC | International Financial Services Centre |
| IIP | Index of Industrial Production |
| INR | Indian Rupees |
| LED | Light Emitting Diode |

| | |
|---|---|
| LLP | Limited Liability Partnerships |
| LPG | Liquefied Petroleum Gas |
| LTCG | Long Term Capital Gain |
| MAT | Minimum Alternate Tax |
| MF | Master File |
| MOSPI | Ministry of Statistics and Programme Implementation |
| MSMEs | Micro, Small and Medium Enterprises |
| NBFC | Non-Banking Financial Company |
| NCLT | National Company Law Tribunal |
| NHB | National Housing Bank |
| NPS | National Pension Scheme |
| NPA | Non-Performing Asset |
| NRIs | Non Resident Indians |
| PAN | Permanent Account Number |
| PFCE | Private Final Consumption Expenditure |

| | |
|---|---|
| RBI | Reserve Bank of India |
| SA | Secondary Adjustment |
| SEBI | Securities and Exchange Board of India |
| STCG | Short Term Capital Gain |
| STT | Securities Transaction Tax |
| TDS | Tax Deducted at Source |
| TAN | Tax Deduction and Collection Account Number |
| UDAY | Ujjwal DISCOM Assurance Yojana |
| UJALA | Unnat Jeevan by Affordable LEDs and Appliances for All |
| USD | United States Dollar |
| VCF | Venture Capital Fund |

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